

Message Text

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71

ACTION AGR-20

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AMEMBASSY CANBERRA

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PASS AGRICULTURE

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SUBJ 18TH MEETING OF THE MANAGEMENT COMMITTEE CONCERNING

CERTAIN DAIRY PRODUCTS, DEC. 10-11, 1973

1. SUMMARY: TWO DAYS MEETING MANAGEMENT COMMITTEE ON DAIRY
PRODUCTS DOMINATED BY DISCUSSIONS RAISING MINIMUM PRICE FOR
SKIM MILK POWDER UNDER AGREEMENT, COMMITTEE UNANIMOUSLY AGREED
FOR NEW MINIMUM AT \$35 PER 100 KG (UP FROM \$25 PER 100 KG).
NEW PRICE BECAME EFFECTIVE DEC 11, 1973 BY NEW PROTOCOL TO
AGREEMENT. NEXT MEETING SCHEDULED FOR FIRST HALF MARCH 1974,
EXACT DATE WILL BE ANNOUNCED LATER. END SUMMARY.

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2. AFTER SHORT REVIEW OF TIGHT MARKET SITUATION FOR SKIM

MILK POWDER NZ INTRODUCED CONCEPT HIGHER MINIMUM AT \$35 PER 100 KG. CITING DEVALUTATION US DOLLAR, REVALUATION OTHER CURRENCIES AND RISING COSTS DUE TO INFLATION AS JUSTIFICATION FOR INCREASE. ALL PARTIES TO AGREEMENT ACCEPTED NEW PRICE WITHOUT CONDITION EXCEPT JAPAN.

3. JAPAN'S ACCEPTANCE NEW MINIMUM CONDITIONED ON AGREEMENT BY COMMITTEE THAT (A) NEW PRICE REMAINED FIXED FOR LONG PERIOD, (B) THAT COMMITTEE UNDERTAKE REVIEW AGREEMENT AND POSSIBLY INTRODUCE CONCEPT MAXIMUM PRICE, AND (C) MAJOR EXPORTERS SUBMIT NEXT MEETING DATA ON PRODUCTION COSTS, AND IF THIS NOT POSSIBLE DATA ON WHOLESALE PRICE.

4. COMMITTEE DISCUSSED AT LENGTH JAPANESE CONDITIONS. AT END JAPAN ACCEPTED \$35 MINIMUM. IN RETURN COMMITTEE NOTED THAT MINUTES OF MEETING WILL REFLECT JAPAN'S INTENTION TO PLACE REVIEW OF AGREEMENT ON AGENDA FOR NEXT MEETING OF COMMITTEE. COMMITTEE ALSO UNDERSTOOD THAT NEW MINIMUM PRICE WILL REMAIN IN FORCE FOR REASONABLE PERIOD OF TIME.

5. NEW MINIMUM PRICE ENTERED INTO FORCE DEC 11, 1973 BY NEW PROTOCOL TO AGREEMENT.

6. A SHORT DISCUSSION OF MARKET SITUATION FOR MILK FAT ALSO REVEALED TIGHT SUPPLIES DESPITE 277,000 MT EC BUTTER STOCKS AND A 3 PERCENT INCREASE IN AUSTRALIA'S MILK PRODUCTION THIS YEAR.

7. COMMITTEE ALSO ADMITTED HUNGARY AS OBSERVER.

8. DATE NEXT COMMITTEE MEETING NOT YET FIXED BUT WILL BE HELD FIRST HALF MARCH 1974.

9. COMMENTS: KAYA (JAPANESE REP) TOLD REPORTING OFFICER (THUROczy) THAT SEVERAL MINISTRIES IN TOKYO UNHAPPY WITH CURRENT ARRANGEMENT. WHILE FOREIGN OFFICE SUPPORTS JAPANESE PARTICIPATION ON GROUND INTERNATIONAL COOPERATION, OTHER DEPARTMENTS SUCH AS MITI LOOK AT PRESENT ARRANGEMENT AS LOP-SIDED. CURRENT ARRANGEMENT PRIMARILY BENEFITS EXPORTERS VIA PROVISION MINIMUM PRICE WHILE NO BENEFIT TO JAPAN SUCH LIMITED OFFICIAL USE

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AS MAXIMUM PRICE AND ASSURANCE OF SUPPLIES. JAPAN'S INTENTION IS TO TAKE GOOD LOOK AT PRESENT ARRANGEMENT WHICH NEGOTIATED AT TIME OF SURPLUSES. JAPAN ALSO WANTS LONGER DURATION FOR NEW PRICE TO PREVENT ANY MOVE AT NEXT OR FUTURE MEETINGS FOR STILL HIGHER MINIMUM. FINALLY, JAPAN WANTS TO KNOW HOW NEW MINIMUM COMPARES WITH PRODUCTION COSTS OF EFFICIENT PRODUCERS, BECAUSE FEELING NEW MINIMUM MAY BE SUBSTANTIALLY ABOVE PRODUCTION COSTS. BASSIN

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